

BEFORE THE
POSTAL REGULATORY COMMISSION
WASHINGTON, D.C. 20288-0001

Valassis NSA

Docket No. MC2012-14

Docket No. R2012-8

GANNETT CO., INC. is a leading media company that reaches tens of millions of people every day through its print, broadcast, digital and mobile operations. In print, Gannett publishes USA TODAY and 81 other daily newspapers in major markets like Phoenix, Detroit and Louisville, in mid-sized markets like Fort Myers, FL, Montgomery AL and Salem OR, and in small markets like St. George, UT, Iowa City, IA and Ithaca NY.

The United States Postal Service has proposed a negotiated service agreement for Valassis that would give one national advertising mailer (Valassis) a 22 percent to 36 percent discount on “new” advertising mail pieces. The discounts the NSA sets forth are for mail that includes advertising inserts from national retailers of “durable and semi-durable goods,” ad inserts that are now predominately delivered through Free Standing Inserts and TMC packages delivered by newspapers. But the USPS is authorized to offer special deals like the Valassis NSA only if they won’t cause “unreasonable harm” in the marketplace. In proposing the NSA to the Postal Regulatory Commission, USPS has stated that the NSA will have a “minimal financial impact in the marketplace.”

However even a cursory review of the facts and figures calls into question the USPS’s analysis. The claim that over a three year period the financial impact of the NSA on the newspaper industry is \$107 million dollars is a gross misstatement. Instead, according to our trade association, the Newspaper Association of America (NAA) nearly \$1 billion in

newspaper insert advertising nationwide will be at risk of shifting from local newspapers to the one national mailer if this proposed agreement moves forward.

And in entering into the NSA, the USPS is clearly favoring one customer (Valassis) over other mail customers. According to NAA estimates U.S. newspapers spend over \$500 million annually on Standard Mail postage to deliver ad inserts to non-subscribers – called Total Market Coverage (“TMC”) products.. An examination of just two of Gannett’s 82 markets illustrates the point: in 2011 the Indianapolis Star and Arizona Republic spent over \$18.6 million with the USPS on mailing costs for delivery of TMC products. .

In putting newspapers at a severe disadvantage in competing for advertising dollars, the USPS is threatening the entire industry. Newspaper industry revenues are derived principally from the sale of advertising. In 2011, for example, 66% of the revenues for Gannett’s publishing operations came from advertising. Ad revenues directly support journalism that is critically important in the communities newspapers serve. A recent internal Gannett contest drew dozens of entries from across the company highlighting the type of journalism that fundamentally changes communities: an Indianapolis Star investigation that uncovered billions of dollars in cost overruns by a local electric utility; a Poughkeepsie Journal report revealing dozens of cases of abuse of disabled residents – including three deaths -- in state institutions; an Arizona Republic series detailing misconduct by high-ranking officers in a local county sheriff’s office –misconduct that came to light only after the Republic filed a costly legal challenge to obtain the report; and a Detroit Free Press report about the city’s mismanagement of \$72 million in federal funds earmarked for poverty fighting programs, revealed that a city agency had spent

over \$200,000 on expensive office equipment and high-end appliances for public officials' homes.

The USPS – an agency authorized by the Constitution and created by an Act of Congress-- is charged with providing services “to bind the nation together.” Surely the Valassis NSA, which favors the interests of a single saturation mailer over an industry that generates editorial content that is the lifeblood of the nation’s communities, ill serves that mission.

For the reasons set forth Gannett Co., Inc requests the Postal Regulatory Commission to reject the proposed NSA.

Barbara W. Wall

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